



HOUSE BUDGET COMMITTEE

Democratic Caucus

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House Democrats received the budget resolution conference report less than an hour ago. Within this time constraint, this document reflects the House Budget Committee Democratic staff's best analysis based on the information available.

Republicans Pursue Budget Policies That Have Already Failed the American Economy

Past Republican tax cuts have failed to boost the economy — The large, back-loaded Republican tax cuts of 2001 have utterly failed to create the jobs that were promised. In fact, recent economic indicators suggest that the economy may have entered a “double-dip” recession.

- ▶ Since President Bush took office, 2.6 million private-sector jobs have been lost.
- ▶ The number of people unemployed for six months or longer has tripled.
- ▶ Approximately \$4.6 trillion in stock market wealth has evaporated.
- ▶ Consumer confidence has plunged to its lowest level in a decade.
- ▶ Real business investment has fallen at a 5.7 percent annual rate.
- ▶ Meanwhile, the \$5.6 trillion ten-year surplus inherited by the President would, under the Administration's budget, be converted to a \$2 trillion deficit over the same time period.

Republicans persist in advocating the same failed economic policies — Despite their evident failure to improve economic conditions for working families, Republicans continue to pursue still more oversized and ineffective tax cuts. The Republican budget resolution conference agreement merely expands upon the policies that already have given us the worst record of any presidential administration of the last half century for jobs, investment, and GDP growth. In all, the conference report calls for \$1.2 trillion in additional tax cuts over the next eleven years. Up to \$550 billion of these tax cuts would be protected by reconciliation status and thus put on the parliamentary fast track. These tax cuts will add to long-term deficits and thus will impede economic growth.

Republicans' parliamentary device is a vehicle for more tax cuts — Republicans in the House and Senate disagree on the appropriate size of new tax cuts. As a result, the conference agreement sets up differing procedural paths for tax cuts in each House. While initial consideration of reconciled tax cuts in the Senate would be limited to \$350 billion, a subsequent

conference report containing a tax cut of up to the House limit of \$550 billion could be approved in the Senate with a simple majority vote. (In total, the budget resolution conference report calls for \$1.2 trillion in tax cuts, with the remainder considered outside of reconciliation procedures.) Reliance on this parliamentary maneuver reflects discomfort among many Republicans about the consequences of large tax cuts, which must be paid for with deep deficits, harmful program cuts, or both.

Republicans covertly increase the debt limit — In a repudiation of their own *Contract With America*, Republicans revived for this Congress a House Rule that, upon passage of the budget resolution conference report, automatically deems passed by the House an increase in the statutory ceiling on debt. The statement of managers indicates that this increase would be nearly a trillion dollars, from the current limit of \$6.4 trillion to a new limit of \$7.384 trillion. At the same time, the budget resolution itself puts us on a path to increase the debt limit by more than \$5.5 trillion, to more than \$12 trillion. This rule allows House Members to vote for unwise policies — particularly the reconciliation protections for still more large and unfair tax cuts — without having to publicly acknowledge the consequences of those policies for mounting public debt. As we approach the fiscal challenges posed by the retirement of the baby boom generation, we should be paying down our debt, not accumulating more of it.

Republican budget reflects flawed priorities — Like the President's budget, the conference agreement makes substantial cuts in vital services to pay for just a part of Republicans' oversized tax cuts. The conference agreement endorses much of the President's massive \$1.4 trillion in tax cuts, which equal in size those that were enacted in 2001 and that led to the dissipation of the budget surpluses of the 1990s and the return of large deficits. To help offset those tax cuts, the conference agreement assumes domestic spending cuts below the level needed to maintain current services.

Republican conference report cuts future domestic appropriations — On top of cuts in the current budget year, the conference report assumes even larger cuts in domestic appropriations. Squeezing domestic appropriations is likely to produce a repeat of last year, when low domestic appropriations numbers meant that Republicans could not even bring 11 of the 13 must-pass appropriations bills to the House floor. And even with the conference agreement's unrealistic and unwise spending cuts, it will not bring the budget back to unified balance before fiscal year 2012.

Democratic budget provided vastly preferable alternative — The Congress did not need to make this unpalatable choice. The House Democratic budget alternative surpassed the conference agreement (and the President's budget) in every respect important to the American people. The House Democratic budget protected key services from cuts and made focused investments in health care and other priorities, while boosting economic growth with an effective, fiscally responsible stimulus plan. The Democratic budget achieved balance in 2010 — sooner than the conference agreement, and with \$1.3 trillion less accumulated debt. In contrast, to pay for its oversized tax cuts, the Republican conference report must run deeper deficits, cut key services, fail to make adequate investments in important priorities, and omit any effective economic growth plan.

2004 BUDGET PLANS

2004 - 2013 Totals, Dollars in Billions

| | President | House | Senate | Conference Report |
|--|-----------|-------|--------|-------------------|
| Deficits/Surplus | -1,820 | -982 | -452 | -1,399 |
| <i>Deficit Difference From President</i> | | 838 | 1,368 | 421 |
| Tax Cuts | 1,455 | 1,314 | 776 | 1,226 |
| 2003 Tax Cuts | 35 | 36 | 26 | 57 |
| Discretionary Funding /1 | | | | |
| Defense | 264 | 264 | 160 | 208 |
| Domestic | -129 | -244 | -163 | -168 |
| Priority Programs /2 | | | | |
| Prescription Drugs | 400 | 400 | 400 | 400 |
| Medicaid & Other Health /3 | 44 | -125 | 96 | 53 |
| Veterans | -6 | -27 | -7 | -7 |
| Education /4 | -27 | -53 | 27 | 8 |
| Low-Income Programs /5 | -32 | -169 | 7 | 5 |
| Interest | 2,599 | 2,430 | 2,416 | 2,591 |

Table Does Not Represent the Total of All Resources in the Budget

/1 Budget Authority Above/Below Current Services

/2 Total Outlays Above/Below Current Services, By Budget Function

/3 Discretionary BA and Mandatory Outlays For Function 550. Difference from baseline for President's budget adjusted to reflect OMB scoring for Medicaid Block Grant, consistent with House, Senate, & Conference totals.

/4 Function 500 Excluding Re-Employment Accounts in the House and President's Budget

/5 Function 600 Excluding Outlays For Refundable Tax Cuts